

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 FEA-01 ERDA-07 AID-05 CEA-01 CIAE-00

CIEP-02 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

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SAM-01 OES-05 SP-02 SS-15 STR-04 TRSE-00 FRB-01 PA-02

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FM AMEMBASSY ROME

TO SECSTATE WASHDC 1096

UNCLAS ROME 7034

E.O. 11652: N/A

TAGS: ENRG, IT

SUBJECT: ITALY RAISES OIL PRODUCT PRICE CEILINGS

1. ON MAY 13 THE INTERMINISTERIAL PRICE COMMITTEE (CIP) APPROVED INCREASES IN THE CEILING PRICES OF CERTAIN PETROLEUM PRODUCTS. INCREASED (EXCHANGE RATE 630 LIRE EQUAL \$1) WERE DIESEL FUEL, UP 5 LIRE/LITER TO 140 LIRE (\$0.22/LITER) AS PART OF OVERALL INCREASE OF 890 LIRE/M.T. (\$1.41) ON LIGHT FUEL OILS; RESIDUAL FUEL OIL (HIGH-SULFUR), UP 1,000 LIRE/M.T., TO 50,000 LIRE/M.T. (\$79.36); LPG UP 8.02 LIRE/LITER TO 203 LIRE/LITER (\$0.32/LITER) LUBRICANT BASES UP 23 LIRE/KILOGRAM (\$.03). BOTTLED LPG PRICES ALSO INCREASED; 10 KG. BOTTLE FROM 2600 LIRE TO 3000 LIRE (\$4.76) AND 15 KG. BOTTLE FROM 2600 LIRE TO 4400 LIRE (\$6.98). BOTTLED GAS PRICES ALSO INCLUDE TRANSPORTATION AND INSTALLATION CHARGES.

2. PETROLEUM COMPANIES UNSATISFIED AS ORIGINAL REQUEST HAD BEEN FOR INCREASE IN CEILING OF 3,289 LIRE/M.T. (\$5.22) WHICH WOULD HAVE PERMITTED MAXIMUM COMPANY RECOVERY OF 66,436 LIRE (\$105.45) PER METRIC TON OF CRUDE. INCREASE GRANTED AMOUNTS TO ONLY 1,201 LIRE/M.T. (\$1.91) FOR 64,348 LIRE/M.T. (102.14).

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ESTIMATED INCREASE IN COMPANY REVENUES WILL BE 108.3 BILLION

LIRE (\$172 MILLION), APPROXIMATELY ONE/THIRD OF THE 345 BILLION LIRE (\$548 MILLION) THE COMPANIES FELT NECESSARY TO BALANCE THEIR ACCOUNTS. NEVERTHELESS, APPLICATION OF EXPLICIT FORMULA RECENTLY DEVELOPED IS POSITIVE ELEMENT SINCE IT ESTABLISHES PRINCIPLES OF "OBJECTIVE" REVIEW MORE SECURELY THAN IN PAST.

3. DECISION HAS BEEN CRITICIZED BY ALL SECTORS: PETROLEUM INDUSTRY SPOKESMEN TERMED IT "INADEQUATE", INDUSTRY SPOKESMAN COMPLAINED THAT INCREASES FALL MAINLY ON PRODUCTS FOR INDUSTRIAL USE, AND UNION REPRESENTATIVES POINTED TO "NEW GIFT TO PETROLEUM COMPANIES,"

4. COMMENT: SINCE CURRENT PRICE LEVELS ARE BELOW THE MAXIMUMS ESTABLISHED, IT WILL BE DIFFICULT FOR THE COMPANIES TO REALIZE IMMEDIATELY THE NEW CEILINGS ESTABLISHED. THE DECISION TO CONCENTRATE ON PRODUCTS WITH INDUSTRIAL END-USES (ONLY THE BOTTLED GAS INCREASES FALL INTO THE CONSUMER SECTOR) IS NOT LIKELY COINCIDENTAL IN VIEW OF THE UPCOMING REGIONAL ELECTIONS. VOLPE

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